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SENATE

{ REPORT
{ No. 1023

TO STANDARDIZE THE PROCEDURE OF SURETY BONDS RUNNING IN FAVOR OF THE UNITED STATES

FEBRUARY 3 (calendar day, FEBRUARY 6), 1925.—Ordered to be printed

Mr. SMOOT, from the Committee on Finance, submitted the following

R E P O R T

[To accompany S. 2663]

The Committee on Finance, to whom was referred the bill (S. 2663) to standardize the procedure with reference to surety bonds running in favor of the United States, and for other purposes, having considered the same, report favorably thereon with the recommendation that it do pass with the following amendments:

On page 2, line 12, strike out all after the word "department"; strike out all of lines 13 and 14, and in line 15 strike out all up to and including "\$840." In line 18, strike out all after the word "for," and in line 19 strike out the words "tion for increase of," and in the same line, insert before the word "compensation" the word "such"; in line 20, after the word "year," insert the words "and for the succeeding fiscal year."

The necessity for this legislation is indicated by the letter from the Comptroller General of the United States to the President pro tempore of the Senate, dated January 15, 1924, which is as follows:

WASHINGTON, January 15, 1924.

THE PRESIDENT PRO TEMPORE OF THE SENATE.

SIR: Pursuant to the provisions of section 312 of the Budget and accounting act of June 10, 1921, I have the honor to submit the inclosed draft of proposed legislation intended to accomplish the centralization and standardization of procedure with reference to surety bonds running in favor of the United States.

Jurisdiction over corporate surety companies now authorized to transact a fidelity and surety business with the United States is under present law vested in the Secretary of the Treasury, and there is now in the Treasury Department a section of surety bonds which, in addition to performing the duties of enforcing the provisions of law in respect to the authorization of corporate surety companies, performs certain duties connected with the acceptance and approval of such bonds in favor of the Government. There is, however, more or less bond work at present being conducted in the various Government establishments which is predicated upon records similar to those set up in the section of surety bonds of the Treasury.

Section 236 of the Revised Statutes, as amended by the Budget and accounting act of June 10, 1921 (42 Stat. 24), provides that—

"All claims and demands whatever by the Government of the United States or against it, and all accounts whatever in which the Government of the United States is concerned, either as debtor or creditor, shall be settled and adjusted in the General Accounting Office."

Quite generally the necessity for recourse to bonds arises in the audit of accounts and the settlement of claims under contracts; and bonds are required and maintained with a view to immediate recourse by the accounting officers in the event of a breach of contractual or other obligations.

It is my belief that all such bonds, in so far as possible, should clear through the General Accounting Office. The bond work of the Government thus centralized would be subjected to standardized procedure, handled with maximum efficiency by a force well versed in its minutia, with a saving, it is believed, in personnel, and surety companies generally would be required to report to and deal with but one Government agency instead of many.

It is believed that the present jurisdiction of the Treasury Department over corporate sureties was vested in the Secretary of the Treasury for the reason that the accounting officers were then in the Treasury Department. As the work of accounting and auditing has now been centralized in the General Accounting Office (an independent establishment) it is thought that the jurisdiction of the Secretary of the Treasury over them should be transferred to and vested in the General Accounting Office.

Under date of May 22, 1922, my views in the premises were set forth in a communication addressed to the Secretary of the Treasury, and under date of June 13, 1922, the Secretary indicated his entire concurrence therewith. Copies of these communications are attached.

Summarizing, it is my belief that the proposed legislation will be a decided step toward the centralization and simplification of the bonding work of the Government, in the interest of economy and efficiency of procedure, and will greatly inure to the benefit of the United States, and I accordingly recommend the enactment of the inclosed draft into law at the present session of the Congress.

I am to-day transmitting to the honorable the Speaker of the House of Representatives a like report and recommendation.

I have the honor to be, sir,

Sincerely yours,

J. R. McCARL,
Comptroller General.

The attitude of the Treasury Department toward this bill is indicated by the following letter addressed to the chairman of this committee by the Secretary of the Treasury, under date of May 28, 1924:

TREASURY DEPARTMENT,
Washington, May 28, 1924.

MY DEAR SENATOR: I beg to acknowledge letter of the 21st instant inclosing bill (S. 2663) to standardize the procedure with reference to surety bonds running in favor of the United States, and for other purposes, in which you request any suggestions that the Treasury may wish to make touching the merits of the bill and the propriety of its passage.

The Treasury is now charged with certain duties which will, under this legislation, be assumed by the office of the Comptroller General, and the Treasury has no objection to the transfer of such duties to the Comptroller General.

Sincerely yours,

A. W. MELLON,
Secretary of the Treasury.

HON. REED SMOOT,
Chairman Committee on Finance, United States Senate.